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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 (4-89) — Paid Up With 640 Acres Pooling Provision

# PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 4th day of September, 2008, between IRVIN WILLIAM JARRELL III, HIS SOLE AND SEPARATE PROPERTY, 1727 Thomas Place, Fort Worth, Texas 76107 as Lessor, and PALOMA BARNETT, LLC, 1021 Main Street, Suite 2600, Houston, Texas 77002-6066 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee

In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

See Exhibit "A"

in the County of <u>TARRANT</u>, State of TEXAS, containing <u>9.1009</u> gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parceis of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

- 2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.
- 3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be <a href="twenty-five">twenty-five</a> percent (25.00%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be <a href="twenty-five">twenty-five</a> percent (25.00%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder, and (c) if at the end of the primary term or any time thereafter or such wells on the leased premises or lands pooled therewith are capable of either production of the primary term or any time thereafter or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells are shut-in or produ 3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid
- 4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in <u>at lessor's address above</u> or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository arent to receive payments.
- or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute, if the depository should liquidition, so for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

  5. Except as provided for in Paragraph 3, above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lesse is not otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such ceasation of all productions of the primary term, or at eny time thereafter, this lease is not otherwise being maintained in force but Lessee is the production of one of the production of oil or gas or driver substances covered hereby, as one pherester's as the side of more than 90 consecutive days, and if any such operations result in the production of oil or gas or driver substances covered hereby, as one pherester's as the side of more than 90 consecutive days, and if any such operations result in the production of oil or gas or driver substances or lands pooled therewith, as a reasonably producing in paying quantities on the leased premises or lands pooled therewith, as a reasonably producing any producing in paying quantities on the leas

- The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone 8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferer to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each. portion of the area covered by this lease, the obligation the net acreage interest in this lease then held by each.
- 9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder
- be proportionately reduced in accordance with the net acreage interest retained nereunder.

  10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises except water from Lessor's wells or ponds. In exploring, developing producing or marketing from the leased premises or lands pooled therewith. aiscover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessoe hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.
- 11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or de shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.
- 12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.
- 13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is itigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.
- 14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which
- easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

  15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-n royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

  16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.
- other operations.
- 17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as

LESSOR (WHETHER ONE OR MORE)

# **ACKNOWLEDGMENT**

# STATE OF TEXAS COUNTY OF TARRANT

Ву

This instrument was acknowledged before me on the 4th , 20<u>08</u>, by <u>Irvin William Jarrell III</u> W. SUE HUDSON Notary Public, State of Texas My Commission Expires August 05, 2012 Notary Public, State of Texas Notary's name (printed): SUE Hodson! Notary's commission expires: **ACKNOWLEDGMENT** STATE OF TEXAS **COUNTY OF TARRANT** This instrument was acknowledged before me on the \_\_\_\_\_day of \_\_\_\_ \_, 20\_\_ Notary Public, State of Texas Notary's name (printed): Notary's commission expires: CORPORATE ACKNOWLEDGMENT STATE OF TEXAS **COUNTY OF TARRANT** This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_ \_\_\_, 20\_\_\_, by\_\_ of \_\_\_corporation, on behalf of said corporation. Notary Public, State of Texas Notary's name (printed): Notary's commission expires: RECORDING INFORMATION STATE OF TEXAS County of TARRANT This instrument was filed for record on the \_\_\_\_\_ \_\_\_ day of \_\_\_\_ \_, 20\_\_ \_\_\_o'clock \_\_\_\_M., and duly \_, at \_\_\_ Instrument Number::\_\_ \_\_\_, of the \_\_\_\_\_ \_\_\_ records of this office.

#### Exhibit "A"

#### TRACT 1:

18.065 acres of land, more or less, out of the North Half of the I Earls Survey described in deed 2048/596; beginning at a point 1315 feet West of and 610 feet South of the NE corner of the I Earls Survey. Thence South 610 feet; Thence West 1290 feet; Thence North 610 feet; Thence East 1290 feet to the place of beginning. It is expressly understood and agreed that Grantors reserve and retain to themselves an undivided (One-half (50%) interest in all oil, gas and minerals (25% Per Grantor; I.W. Jarrell and 25% Per Grantor; Sam Wheat).

## Save and Except:

.156 acres, more or less, being Lot 35 of the Rush Creek Ranch Estates described in deed 6455/538.

#### TRACT 2:

18.415 acres of land, more or less, out of the North Half of the I Earl Survey, described in deed 2048/597; beginning at a point 25 feet West of and 610 feed South of the NE Corner of the I Earls Survey in Tarrant County Project 2073; Thence South in the West line of said County Project 2073, 196.5 feet to a point, the beginning of a curve to the left whose center bears East 286.5 feet; Thence around said curve in the Westerly Right of Way line of said Project 2073, 141.4 feet to a point in the East line of the said I Earls Survey; Thence South in the East line of said survey 291 feet to a point in the North Right of Way of County Project 2083; Thence West in the North line of said Project 2083 and continuing West in all 1315 feet to a point; Thence North 610 feet to a point; Thence East 1290 Feet to the place of beginning. It is expressly understood and agreed that Grantors reserve and retain to themselves an undivided (One-half (50%) interest in all oil, gas and minerals (25% Per Grantor; I.W. Jarrell and 25% Per Grantor; Sam Wheat).

# Save and Except: Four (4) Tracts:

#### Tract 1:

4.8639 acres of land, more or less, being part of the Rush Creek Ranch Estates out of the I Earls Survey, Tarrant County, Texas, described in deed 3931/151. Said tracts cover Lots 8, 9, 10 and 11, and a tract beginning at point 870 feet South of and 225 feet West of NEC of the I Earls Survey; Thence South 175 feet; Thence East 340 feet; Thence North 175 feet; Thence West 340 feet back to the place of beginning.

## Tract 2:

1.2913 acres of land, more or less, being part of the Rush Creek Ranch Estates out of the I Earls Survey, Tarrant County, Texas, described in deed 3104/417. Said tract covers Lot 12. Beginning at a point South 1045 feet & West 565 feet; Thence West 150 feet; North 175 feet; East 150 feet; South 175 feet to the place of beginning. (150' x 175').

# Tract 3:

.597 acres of land, more or less, being part of the Rush Creek Ranch Estates out of the I Earls Survey, Tarrant County, Texas, described in deed 6455/538. Said tract covers Lot 6 Rush Creek Ranch Estates.

# Tract 4:

.567 acres of land, more or less, being part of the Rush Creek Ranch Estates out of the I Earls Survey, Tarrant County, Texas, described deed 6455/538. Said tracts covers part of the I Earls Survey, beginning at a point 610 feet South of and 225 feet West of NEC of said survey; Thence South along West side of lot 6 Rush Creek Ranch Estates 130 feet to a point; Thence West 190 feet to a point; Thence North 130 feet to a point; Thence East 190 feet to the place of beginning (130'x 190').

# TRACT 3:

36.15 acres of land, more or less, out of the North Half of the I Earls Survey, described in deed 2159/412, beginning at a point 5185 feet East of the NW Corner of the I Earls Survey said point being in the Westerly Right of Way line of County Project 2073; Thence South in the West line of said County Project 2073, 610 feet to a point; Thence West 2580 feet to a point; Thence North 610 feet to a point; Thence East 2580 feet to the place of beginning. (The Grantors hereby reserve to their selves an undivided One Half Interest (25% Per Grantor; I W Jarrell and 25% Per Grantor; Sam Wheat) in and to all of the oil, gas, coal, gold, silver, sulfur, and other minerals of every character on, in and under this land, together with the right to produce the same.

# Save and Except: Five (5) Tracts:

#### Tract 1:

14.29 acres of land, more or less, being part of the Rush Creek Ranch Estates out of the I Earls Survey, Tarrant County, Texas, described in deed 2688/526. Said tract cover Lots 1, 2, 3, and a tract beginning at an iron stake fence line 225 feet West of NEC of I Earls Survey; Thence South 372.4 feet along West side of said Lots 1, 2 and 3 to an iron stake for corner; Thence West 1450 feet to an iron stake for corner; Thence East along fence line 1450 feet to beginning.

#### Tract 2:

3.47 acres of land, more or less, being part of the Rush Creek Ranch Estates out of the I Earls Survey, Tarrant County, Texas, described in deed 2688/526, described as follows: beginning at a point South 360 feet & West 415 feet of NEC; Thence South 120 feet (said line being 190 feet West of West line of Lot 4 Rush Creek Ranch Estates); Thence West 1260 feet; Thence North 120 feet; Thence East 1260 feet to point of beginning.

#### Tract 3:

1.0744 acres of land, more or less, being part of the Rush Creek Ranch Estates out of the I Earls Survey, Tarrant County, Texas, described in deed 2704/578. Said tract covers Lot 4, and a tract beginning at a stake 360 feet South of and 225 feet West of NEC of said survey; Thence South 120 feet (said line being 190 feet West of West line of Lot 4 Rush Creek Ranch Estates); Thence West 1260 feet; Thence North 120 feet; Thence East 1260 feet to point of beginning.

#### Tract 4:

7.5723 acres of land, more or less, being part of the Rush Creek Ranch Estate out of the I Earls Survey, Tarrant County, Texas, described in deed 6455/538. Said tract is as follows: beginning at a point South 480 feet & West 415 feet of NEC; Thence South 260 feet; Thence West 1260 feet; Thence North 260 feet; Thence East 1260 feet to the place of beginning. (260' x 1260').

#### Tract 5:

1.172 acres of land, more or less, being part of the Rush Creek Ranch Estates out of the I Earls Survey, Tarrant County, Texas, described in deed 5448/572. Said tract covers Lot 4, and a tract described as follows: Beginning at a point South 480 feet & West 225 feet; Thence South 130 feet; Thence West 192.7 feet; Thence North 130 feet; Thence East 192.7 feet to the place of beginning.

## TRACT 4:

36.15 acres of land, more or less, out of the North Half of the I Earls Survey, Tarrant County, Texas, described in deed 2309/351. Deed Illegible, but acreage, metes and bounds, and reservations referenced in REIS Index Cards, and Deed of Trust 878/567 from Marvin A Harrodd to I W Jarrell. Being out of the I Earls Survey, beginning at a point 25 feet East of the NW Corner of the I Earls Survey, said point being in the Easterly right of way line of County Project 2042; Thence East 2580 feet to a point; Thence South 610 feet to a point; Thence West 2580 feet to a point; Thence North 610 feet to the place of beginning. (Grantor, I W Jarrell; hereby specifically reserves unto himself One-Half (50%) of all the oil, gas and mineral rights in and to said land, together with the right to produce the same).

# TRACT 5:

36.15 acres of land, more or less, out of the North Half of the I Earls Survey described in deed 2244/28; beginning at a point 25 feet East of and 610 feet South of the NW Corner of the I Earls Survey; said point being in the Easterly Right of Way line of County Project 2042; Thence East 2580 feet to a point; Thence South 610 feet to a point; Thence West 2580 feet to a point in the said East line of said County Project 2042; Thence North 610 feet in the East line of said County Project 2042 to the place of beginning. It is expressly understood and agreed that Grantors reserve and retain to themselves an undivided (One-half (50%) interest in all oil, gas and minerals (25% Per Grantor; I.W. Jarrell and 25% Per Grantor; Sam Wheat).